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AUTHOR Katz, Helen
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ABSTRACT

Despite longstanding interest in cable television regulation, little has been investigated concerning crossownership of cable with other media properties. A study examined the issue from economic (antitrust) and First Amendment (diversity of sources) perspectives. Data on where the cable companies' franchises were located and in what other media the firms were involved were obtained mainly from "Advertising Age," which listed the top 30 media companies in cable. Information was also solicited directly from the companies. Analysis showed that almost all top 30 media companies in cable have significant holdings in other media, within the same state or even in the same location, raising serious questions about maintaining media exposure to a wide variety of ideas. (Four tables of data are included.) (MS)

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WHO OWNS WHAT - AN INITIAL INQUIRY INTO CURRENT CROSSOWNERSHIP
AMONG LEADING COMPANIES IN CABLE TELEVISION

Helen Katz
Department of Advertising
Michigan State University
East Lansing, MI 48824-1212

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ABSTRACT

Despite longstanding interest in cable television regulation, little has been investigated concerning crossownership of cable with other media properties. This study examines the issue from economic (antitrust) and First Amendment (diversity of sources) perspectives. Analysis of the top 30 media companies in cable reveals almost all have significant holdings in other media, within the same state or, even, same location, raising serious questions about maintaining media exposure to a wide variety of ideas.

WHO OWNS WHAT - AN INITIAL INQUIRY INTO CURRENT CROSSOWNERSHIP
AMONG LEADING COMPANIES IN CABLE TELEVISION

Regulation of the cable industry has been a popular topic for discussion for almost as long as the forty-year old television service has been available. The first ruling by the Federal Communications Commission (FCC), the regulatory body overseeing the industry, did not come until 1965, when its First Report and Order asserted FCC jurisdiction over cable systems served by microwave relays. From that time through to the passage of the Cable Communications Policy Act in 1984, there has been much debate over issues such as signal carriage, compulsory programming, and franchises. Yet little has been heard, even during the Hearings that preceded the 1984 Act, concerning who can own cable systems or, alternatively, what the systems themselves can own.

Now, however, with cable as a \$13 billion industry, and consumers spending \$14.2 billion each year in order to receive the service (more than they spend on baseball, movies, and videocassette rentals combined!), renewed efforts are being made to reregulate the industry, out of fears of media monopolization and excessive profits. This is therefore an appropriate time to pay greater attention to the structure of cable system companies and how they fit in to the overall framework of the mass media in the U.S.

Since cable first began expanding in the mid-1970s, it has become increasingly concentrated in the hands of a few Multiple

System Operators, or MSOs. Indeed, by 1979, the top 50 MSOs accounted for 60.4 percent of all cable subscribers (Howard, 1986), while today, the top 50 serve 85 percent of the total (see Table 1).

Table 1

Concentration of Multiple System Operations

<u>Multiple System Operators</u>	<u>Percent of Subscribers Served</u>
Top 10	45
Top 20	63
Top 30	74
Top 40	81
Top 50	85

Source: Cable Factbook 1989

In addition to this horizontal integration, there are also clear signs of vertical movement, with cable operators joining forces in order to buy into cable networks such as American Movie Classics or the Discovery Channel, or to purchase cable-related services such as home shopping networks (The Fashion Channel) and pay-per-view networks (Request TV). Indeed, today it is very unusual for a new cable service to be launched without equity participation from major cable operators (Fabrikant, 1988).

Concerns about such practices have come primarily, and not surprisingly, from cable's media competitors most notably the broadcasting and movie industries. Yet if one examines the structure of the cable industry more closely, one finds that, rather than fierce competition existing between the various mass media, there is increasing cooperation and crossownership occurring, with cable companies moving into film production and

distribution, and newspapers buying interests in broadcast and cable properties. All of this leads one to wonder just who owns what in cable today.

Regulatory Background

The regulatory history of cable television has been somewhat cyclical. Until the early 1960s, the FCC paid little attention to it, in large part because only six percent of the country was receiving cable service. As microwave links started bringing in distant signals to subscribers, offering them a wider range of channels, broadcasters began voicing concerns at this unfair competition. They feared a loss of audience share and exhorted the Commission to deal with the issue. In February 1966 the FCC duly imposed restrictions on the importation of distant signals by cable operators as well as the rights of broadcasters to syndicated exclusivity. And three years later, they ruled that all systems with 3,500 subscribers or more had to originate some of their programs in order to ensure program diversity for consumers.

During the following decade, while cable operators continued fighting these rulings in the courts, the industry mushroomed, helped in large part by the launching of communications satellites which enabled the newly created cable networks to beam their programs all over the country. By the end of the decade, increased pressure from the cable industry for deregulation led to the repeal of both distant signal and syndicated exclusivity

rules. As competition intensified to win franchise rights in cities and municipalities all across the country, cable penetration levels continued to rise. By the time the Cable Act was finally passed in 1984, 33 percent of all U.S. households were subscribing to the service.

Most of the attention that was given to the Act, designed "to establish a national policy concerning cable communications" focused on rate deregulation, which allowed cable operators to set their own rates, rather than letting state or local government determine the figure. The latter were permitted only up to five percent of gross revenues. The final version of the bill also prohibited state and local authorities from setting cross-ownership rules in the terms of the franchise agreement. Such rule-making was deemed to be the federal government's authority. The Act did include provisions preventing cable-television and cable-telephone crossownership within a single location, but had no limitation on ownership of multiple media properties in diverse places. In addition the FCC reserved the right to waive telephone-cable crossownership rules in narrow circumstances.

It seemed at this point that the FCC was more concerned with economics textbooks than with the lessons of history, for a glance at the growth of two older media industries might have shed light on what was to occur in cable. In 1931 the Justice Department issued a landmark decision preventing the major movie studios from owning the theaters in which their pictures were

distributed. And 17 years later the television networks were forced to divest of their stranglehold over affiliate stations. In both instances, it was the interests of the audience in receiving a diversity of programming sources that was held to be of greatest import.

Controls on excessive horizontal and vertical integration have been a longstanding concern of the FCC. Indeed, multiple and crossownership regulations were first instituted by that body in the late-1930s, limiting broadcasters to one AM radio station in a market. Similar rules were later implemented for FM radio and TV stations. Gradually, however, deregulatory measures took over so that today one company can own up to 12 AM, 12 FM and 12 broadcast stations across the country, although there are still stricter limits within individual markets (McGregor, 1988). The Commission is currently considering completely removing all cross-ownership provisions ("Sketching scenarios," 1988).

It is important to note here the conflicting aims of the FCC. On the one hand, its mandate is to ensure adequate local service to all and uphold the public interest, yet at the same time it attempts to maintain program diversity and acceptable levels of competition, objectives which are all too often at odds with each other (Noll, 1973).

Reasons for Crossownership Restrictions

There are two main arguments to consider when dealing with the ownership of multiple media holdings, either within or

between media categories -- economic competition and diversity of sources. Each will be dealt with below.

Advocates of free market competition essentially hold the classical liberal worldview. That is, they argue that completely free competition is the most efficient and effective way to run society, whether one is dealing with housing, education, healthcare, or the mass media. Size should not be a determining factor; if operators find it more effective to run 1,000 systems rather than 100 or 10, they should be allowed to do so. And if these operators also run the broadcast station and the radio station in town, that is also acceptable. The underlying thrust here is that what is good for the operator is ultimately good for the customer. In libertarian terms, the less government involved, the better. Multiple system operations permit economies of scale in programming, customer service, marketing, or sales.

What tends to happen in reality is that instead of the laws of economics prevailing, those of the jungle take over and it becomes a matter of survival of the largest. This leads to the situation where, paradoxically, it is often the case that the local newspaper or radio station, itself owned by a media conglomerate, is the only company which can afford to run the cable franchise in the area, especially in rural locations which are more expensive to wire and maintain (Noll, 1973).

The difficulty as far as the media are concerned is that economic theory clashes with several important principles of a

democratic society, such as serving the public interest and promoting diversity of ideas. The Commission seems to apply whichever argument is most appropriate to its current ruling. In 1966, it was the public interest that was paramount and had to be defended, with cable companies forced to comply with the distant signal rule to bring in outside broadcast signals, while more recent pronouncements regarding the telephone companies' entry into cable operations have been based on the notion of promoting more competition in the cable industry.

While one might argue that even if a single company does own many cable franchises, and/or several newspapers, magazines, or broadcast properties, the consumer will still receive information from a variety of sources, the danger remains that all of these outlets may start saying the same thing, denying people the opportunity to hear disparate viewpoints. This threat seems to be underlying the beliefs of the neoliberals, whose primary concern is that individuals should be exposed to a diversity of sources of information and entertainment. Their argument focuses on the social costs of industry concentration, relying on the First Amendment's protection of freedoms of speech and press, in order to "guarantee the free exchange of ideas in the public marketplace...essential to the functioning of a free society" (Wirth, 1987). If only a few companies are controlling all outlets of expression, this is likely to limit the audience's ability to be exposed to a variety of opinions.

Such a concern has been borne out by reality. In 1986, for

example, a suit was brought against Manhattan Cable TV for denying access to certain pay television services. Manhattan Cable, owned by Time, Incorporated's MSO, ATC, had only offered HBO and Cinemax on its system, also owned by Time, Inc. The company agreed to add more pay channels on a gradual basis (Fabrikant, 1988). Another example is found in the United Kingdom, where Rupert Murdoch's newspaper properties, The Sun and The Times are both promoting and espousing his new satellite service, Sky Channel, while denigrating the competitive services.

The First Amendment status of cable television has been a highly contentious issue for many years, one that the Supreme Court has so far refused to resolve fully, simply acknowledging in the case of Preferred Communications v. City of Los Angeles that there is a First Amendment dimension to the medium. Here, the cable company, Preferred Communications, had argued that it should have the right to offer competing cable services within Los Angeles. While the Court determined that the First Amendment rights of operators must be balanced by the cities' rights to protect societal interests, they ruled there was not enough evidence at this point to balance these competing claims. The case is now scheduled to return to Federal Court in April 1989 (Haugsted, 1988).

The implications for free expression as far as crossownership provisions are concerned are clear. Is it harmful to consumers, for example, to have one company provide both cable service and the local newspaper within a given market, or own the

cable system and have strong financial interests in the videocassette store or movie theater in town? It is questions such as these that are increasingly being asked as cable systems acquire other media properties or are themselves purchased by media conglomerates.

Analysis of Major Cable Systems

In order to determine whether there is a legitimate cause for concern regarding multiple media ownership of cable systems, the top 30 media companies in cable in the U.S. were examined. Their cable and other media properties (magazines, newspapers, radio, television, outdoor, film production, movie theaters, and videocassette franchises) were looked at by state and by cable franchise in a preliminary effort to see how much crossownership between these diverse media categories is in fact occurring.

Method

The list of the top 30 media companies in cable was obtained from Advertising Age, with additional information found in the 1988 Television & Cable Fact Book. From these two sources it was possible to discover where the cable companies' franchises were located, as well as find out in which other media the firms were involved. Requests were also sent out to each firm asking for the most recent Annual Report and/or any additional information about the company. Eighteen responses (60 percent) were received, of which two, as privately held companies, refused to

divulge any information.

Table 2

Media Properties of Multiple System Operators

<u>Multiple System Operator</u>	<u>Other Media Properties*</u>					
American Telecommunications Corp.	N	M				
Advance Publications	N	TV				
Blade Communications						
Cablevision Systems Corporation	CP					
Century Cable	N	TV	R			
Chronicle Publishing Company						
Comcast Corporation						
Continental Cablevision						
Cooke Media Group	N					
Copley Newspapers	N	M				
Cox Enterprises	N	TV	R			
Donrey Media Group	N	R	O			
Hearst Corporation	N	M	TV	R	O	
Howard Publications	N					
Jones Intercable						
Media General	N	M	TV			
Multimedia	N	TV	R			
New York Times Company	N	M	R	TV		
Providence Journal Company	N	TV				
Rogers Cablesystems	R	TV	CP			
Sammons Company						
SCI Holdings	TV					
Scripps Howard	N	TV	R			
TeleCable Corporation						
TeleCommunications Inc.	V	Th				
Times Mirror Company	N	M	TV	B		
United Cable Television	Th					
Viacom International	TV	R	Th			
Warner Communications	M	TV	B	V		
Washington Post Company	N	M				

N = Newspapers, M = Magazines, TV = Television Stations, R = Radio, B = Book Publishing, O = Outdoor, V = Videocassette Distribution, Th = Movie Theaters, CP = Cellular Phone

From all three sources it was possible to discern that of the initial 30 companies, seven deal solely with cable, 16 also have newspaper interests, eight are involved with magazines, nine

with radio properties, 14 with television stations, and four with the distribution of movies in theaters or by videocassette. Two companies have interests in outdoor media, two are in book publishing, and two have cellular phone operations. Table 2 displays the companies and the media properties they own in addition to cable systems.

Results

Further analysis of the media holdings of these companies reveals that considerable crossownership is in fact occurring. As Table 3 shows, in over half of all the states (26), there are instances of one of these companies operating more than one medium; in ten states they operate three or more media. Cox Entertainment, for example, owns newspaper, cable, radio, and television properties in Georgia, Florida, and Ohio, while Scripps-Howard and Chronicle Publishing have cable, newspaper, and television properties in Florida and California, respectively. Several companies, such as Multimedia reported their intention to focus efforts on certain states or regions of the country, while others, such as Tele-Communications, Inc. (TCI) appear to prefer more widespread holdings throughout the U.S.

Table 3
Location of Multiple Media Properties

	Cable/Newspaper	Cable/TV	Cable/Radio	TV/Radio	Newspaper/TV
Advance	AL, LA, NJ, NY, OH, PA				
Copley	CA				
Cox	TX	MI		NC	
Dealey	CA, OK				
Howard	CA, WY				
Media-General					FL
Multimedia	NC				TN, OH
Providence Journal	RI				
New York Times					AL
SCI		FL			
Scripps-Howard	CA, CO, IN, KY				OH
Telecable	KY, NC				CA
Times-Mirror	CA, CT, NY, PA				
Viacom			TN, WA		

	Cable/News/TV	Cable/News/Radio	Cable/TV/Radio	Cable/News/Radio/TV
Advance				
Blade	OK			
Chronicle	CA			
Copley				
Cox		IL	CA	FL, GA, OH
Dealey		AK		
Howard				
Media-General				
Multimedia		GA		
Providence Journal				
New York Times				
SCI				
Scripps-Howard	FL			TN
Telecable	FL	VA		
Times-Mirror			NY	
Viacom				

Newspaper-Cable Crossownership

If one looks at the cases of specific newspaper-cable crossownership, currently not prohibited under the Cable Act, one finds 12 instances among the top 30 cable companies of ownership of newspaper and cable franchise in a single location or area. Although, by law, the franchise holder is set up as a separate entity, it is nevertheless a subsidiary of the parent corporation. Table 4 lists such crossownerships. In some cases,

Table 4

Companies with Newspaper/Cable Co-Location

<u>Company</u>	<u>Newspaper</u>	<u>Cable Franchise</u>
Blade Communications	Toledo Blade	Toledo suburbs, OH
Chronicle Publishing	San Francisco Chronicle	Concord; Contra Costa County; San
Mateo County; South San Francisco, CA		
Donrey Media	Vallejo Times-Herald	Vallejo, CA
	Bartlesville Examiner-Enterprise	Bartlesville, OK
	Blackwell Journal-Tribune	Blackwell, OK
	Guymon Daily Herald	Guymon, OK
Hearst	San Francisco Examiner	6 systems in Santa Clara county
Scripps-Howard	Rocky Mountain News	Fort Lupton, CO
	Knoxville News-Sentinel	Knoxville, TN
Times-Mirror	Los Angeles Times	Orange County; Palos Verdes, CA
	Hartford Courant	Hartford, CT
	New York Newsday	Long Island, NY

rather than strict co-location, there is instead a significant overlap, primarily where the newspaper is in a major market with considerable regional distribution and readership, as with the San Francisco Chronicle throughout the San Francisco area, or the Los Angeles Times and New York Times in their respective metropolitan markets. Here, a radius of 50 miles was considered reasonable for the distribution of major newspapers. Yet for people in Bartlesville, Oklahoma (population: 34,568), the only local paper is the Bartlesville Examiner-Enterprise which happens to be run by Times Mirror Company, the operator of the Bartlesville cable system.

Movie-Cable Crossownership

Another area where crossownership may give cause for concern is between cable operations and the movie industry. This is somewhat ironic, given the fact that the movie industry, led by the Motion Picture Association of America (MPAA) has for many years been a vehement opponent of cable. Today, even while they complain that the film industry is more stringently regulated than its cable counterpart (and thus subject to 'unfair' competition), movie companies are starting to hold out the olive branch to cable operating companies, realizing the considerable profits to be found in distribution of their product to cable networks.

A prime example of such new-found fraternization is the proposed merger of United Artists and United Cable Television,

Inc. Together, the newly formed combined entity would have interests not only in film production and cable franchises, but also in movie theaters, real estate, cable television networks, and home video franchises ("Rapidly transformed UA," 1989). Moreover, one of United Artist's major stockholders is another giant of the cable industry, Tele-Communications, Inc., which as a multiple system operator already serves 25 percent of all cable subscribers. So far, the deal has not been held up by any antitrust concerns, but rather by the difficulty of blending corporate cultures. The recently announced proposed merger of Time, Inc. and Warner Communications, which would create the world's largest media company with combined value of \$18 billion, would also have significant interests in both cable and film, as well as large stakes in magazine and book publishing and music recording (Norris, 1989).

Discussion

Even such a preliminary investigation of the cable properties of major media companies suggests there is cause for concern. With the increased concentration of cable system operations in the hands of a few large companies, and with those firms moving rapidly into numerous other media categories, there is a decreasing variety of media voices being heard. Almost all of the top 30 media companies involved in cable are diversifying into other print and broadcast media, or related entertainment industries. While this in itself is not necessarily harmful to

consumers, there seems to be increasing evidence of concentration and co-location that may well be so.

Having said that, the chances for regulatory reform are rather slim. Current FCC practice appears to remain firmly set on the notion of a self-regulating, self-correcting marketplace. Its willingness to act seems dependent on industry pressures. Yet in this instance, since the other media industries are themselves often involved in cable enterprises, there is little pressure for change.

The free market, however, also assumes that a wide variety of ideas and opinions can be heard in order for the truth to be found; it is these that are threatened by excessive horizontal and vertical integration in the mass media. Therefore, regardless of whether one takes the libertarian stand in favor of competitive markets, or adopts the neoliberal position with concern over preserving a diversity of information and entertainment sources, it is time for the Commission to act in the public interest and examine the issue of who owns what in the cable industry.

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